

Exhibit 11

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As filed with the Securities and Exchange Commission on April 10, 2007

Registration No. 333-141971

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**AMENDMENT NO. 1
TO
FORM F-10
REGISTRATION STATEMENT
Under
The Securities Act of 1933**

Gammon Lake Resources Inc.

(Exact name of Registrant as specified in its charter)

Quebec, Canada
(Province or Other Jurisdiction of
Incorporation or Organization)

1041
(Primary Standard Industrial
Classification Code)

None
(I.R.S. Employer
Identification No.)

**1601 Lower Water Street
Suite 402, Summit Place, P.O. Box 2067
Halifax, Nova Scotia B3J 2Z1
Canada
(902) 468-0614**

(Address and telephone number of Registrant's principal executive offices)

**DL Services, Inc.
U.S. Bank Center
1420 5th Avenue, Suite 3400
Seattle, WA 98101-4010
(206) 903-8800**

(Name, address (including zip code) and telephone number (including area code)
of agent for service in the United States)

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Approximate date of commencement of proposed sale to the public: As soon as practicable after this Registration Statement becomes effective.

Province of Quebec, Canada
(Principal jurisdiction regulating this offering)

It is proposed that this filing shall become effective (check appropriate box):

- A. ☐ Upon filing with the Commission pursuant to Rule 467(a) (if in connection with an offering being made contemporaneously in the United States and Canada).
- B. ☒ At some future date (check the appropriate box below).
1. ☐ Pursuant to Rule 467(b) on _____ (date) at _____ (time) (designate a time not sooner than seven calendar days after filing).
2. ☐ Pursuant to Rule 467(b) on _____ (date) at _____ (time) (designate a time not sooner than seven calendar days after filing) because the securities regulatory authority in the review jurisdiction has issued a receipt or notification of clearance on _____ (date).
3. ☐ Pursuant to Rule 467(b) as soon as practicable after notification of the Commission by the registrant or the Canadian securities regulatory authority of the review jurisdiction that a receipt or notification of clearance has been issued with respect hereto.
4. ☒ After the filing of the next amendment to this form (if preliminary material is being filed).

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to the home jurisdiction's shelf prospectus offering procedures, check the following box. ☐

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the registrant statement shall become effective as provided in Rule 467 under the Securities Act of 1933 or on such date as the Commission, acting pursuant to Section 8(a) of the Act, may determine.

PART I

**INFORMATION REQUIRED TO BE DELIVERED TO
OFFEREES OR PURCHASERS**

The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

AMENDED AND RESTATED SUBJECT TO COMPLETION, DATED APRIL 9, 2007

Prospectus

Gammon Lake

Resources Inc.

TSX:GAM AMEX:GRS

\$200,000,000

10,000,000 Common Shares

This short form prospectus qualifies the distribution of 10,000,000 common shares (the "Purchased Shares") of Gammon Lake Resources Inc. ("Gammon Lake" or the "Company") at a price of \$20.00 per Purchased Share (the "Offering") pursuant to an amended and restated underwriting agreement dated April 9, 2007, as amended on April 9, 2007 among Gammon Lake and BMO Nesbitt Burns Inc., Scotia Capital Inc. and TD Securities Inc. (each an "Underwriter" and collectively, the "Underwriters"). In addition, Gammon Lake has also granted the Underwriters an option (the "Over-Allotment Option") to purchase an additional 1,500,000 common shares (the "Over-Allotment Shares") at the Offering price, exercisable for 30 days following the closing the Offering. The Purchased Shares and the Over-Allotment Shares are referred to in this short form prospectus as the "Offered Shares".

Investing in the Company's securities involves a high degree of risk. Prospective investors should consider the risk factors described under "Risk Factors" before purchasing Offered Shares.

Price: \$20.00 per Purchased Share

This offering is made by a foreign issuer that is permitted, under a multijurisdictional disclosure system adopted by the United States, to prepare this prospectus in accordance with Canadian disclosure requirements. Prospective investors should be aware that such requirements are different from those of the United States. Financial statements included or incorporated herein have been prepared in accordance with Canadian generally accepted accounting principles, and may be subject to Canadian auditing and auditor independence standards, and thus may not be comparable to financial statements of United States companies.

Prospective investors should be aware that the acquisition of the securities described herein may have tax consequences both in the United States and in Canada. Such consequences for investors who are resident in, or citizens of, the United States may not be described fully herein. Prospective investors should read the tax discussion under "U.S. Federal Income Tax Considerations".

The enforcement by investors of civil liabilities under the federal securities laws may be affected adversely by the fact that the Company is incorporated under the laws of Nova Scotia, Canada, that some of its officers and directors are residents of Canada, that some or all of the underwriters or experts named in the registration statement are residents of a foreign country, and that a substantial portion of the assets of the Company and said persons are located outside the United States.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

Underwriters'

Net Proceeds

	Price to the Public	Fee	to the Company ⁽¹⁾⁽²⁾
Per Purchased Share	\$20.00	\$0.80	\$19.20
Total	\$200,000,000	\$8,000,000	\$192,000,000

- (1) Before deducting expenses of the Offering, estimated at \$1,000,000, which together with the Underwriters' fee, will be paid from the general funds of the Company.
- (2) The Company has granted to the Underwriters an over-allotment option (the "Over-Allotment Option"), which entitles them to acquire at any time up to 30 days following the closing of the Offering at the price to the public hereunder, up to an additional 1,500,000 common shares. If the Over-Allotment is exercised in full, the total number of Offered Shares will be 11,500,000, the total Price to the Public will be \$230,000,000, the total Underwriters' Fee will be \$9,200,000 and the total Net Proceeds to the Company will be \$220,800,000. This short form prospectus qualifies the grant of the Over-Allotment Option and the issuance of common shares upon the exercise thereof.

Scotia Capital Inc. is a wholly owned subsidiary of a Canadian chartered bank that is a lender to the Company under the Company's current credit facility. Consequently, the Company may be considered to be a connected issuer of Scotia Capital Inc. under applicable securities legislation. See "Relationship Between the Company and Certain Underwriters".

Subscriptions will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. During the distribution of this Offering, the Underwriters may effect transactions in the common shares in accordance with applicable market stabilization rules. Such transactions, if commenced, may be discontinued at any time. See "Plan of Distribution".

The Underwriters may offer the Purchased Shares at a price lower than the price noted above. See "Plan of Distribution".

This short form prospectus contains references to both US dollars and Canadian dollars. All dollar amounts referenced, unless otherwise indicated, are expressed in Canadian dollars and US dollars are referred to as "US dollars" or "US\$". As at April 5, 2007, the noon buying rate as reported by the Bank of Canada was US\$1.00 = CDN\$1.1509 or CDN\$1.00 = US\$0.8689.

Definitive certificates for the Purchased Shares are expected to be available for delivery at closing. Closing is expected to take place on or about April 24, 2007, or such later date as may be agreed between the Company and the Underwriters, but closing shall not take place later than May 1, 2007. In this short form prospectus, "Gammon Lake" and "the Company" refer to Gammon Lake Resources Inc. and, where applicable, its subsidiaries.

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ELIGIBILITY FOR INVESTMENT

In the opinion of Gammon Lake's Canadian counsel, Fasken Martineau DuMoulin LLP, and Stikeman Elliott LLP, Canadian counsel for the Underwriters, the Offered Shares, if issued on the date hereof, and provided they are listed on a prescribed stock exchange (which includes the TSX), would be qualified investments under the *Income Tax Act* (Canada) and the regulations thereunder for trusts governed by registered retirement savings plans, registered retirement income funds, registered education savings plans and deferred profit sharing plans.

DOCUMENTS INCORPORATED BY REFERENCE

Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar regulatory authorities in Canada. Copies of documents incorporated herein by reference may be obtained on request without charge from the Secretary of the Company at Suite 402, 1601 Lower Water Street, Summit Place, P.O. Box 2067, Halifax, Nova Scotia B3J 2Z1, telephone (902) 468-0614 or by accessing the Company's disclosure documents available through the internet on the Canadian System for Electronic Document Analysis and Retrieval (SEDAR) which can be accessed at www.sedar.com. For the purpose of the Province of Québec, this simplified short form prospectus contains information to be completed by consulting the permanent information record. A copy of the permanent information record may be obtained from the Secretary of the Company at the above-mentioned address. Certain capitalized words and phrases used in this short form prospectus which are defined in the documents incorporated herein have the same meaning in this short form prospectus. Gammon Lake files annual and interim (quarterly) financial information, material change reports and other information with securities regulatory authorities in Canada (collectively the "Commissions"). The Commissions allow the Company to "incorporate by reference" the information it files with them, which means that it can disclose important information to prospective investors by referring them to those documents. Information that is incorporated by reference is an integral part of this short form prospectus. Gammon Lake incorporates by reference the documents listed below, which were filed with the Commissions under applicable securities legislation:

- (a) Gammon Lake's annual information form dated as of March 29, 2007 for the year ended December 31, 2006 (the "Annual Information Form");
- (b) Gammon Lake's audited comparative consolidated financial statements for the fiscal year ended December 31, 2006, the five months ended December 31, 2005 and the fiscal year ended July 31, 2005, together with the notes thereto and the auditors' report thereon;
- (c) Gammon Lake's amended and restated management's discussion and analysis of financial conditions and results of operations for the fiscal year ended December 31, 2006;

- (d) Gammon Lake's amended and restated audited consolidated financial statements for the five months ended December 31, 2005 and the fiscal year ended July 31, 2005, together with the notes thereto and the auditors' report thereon;
- (e) Gammon Lake's management's discussion and analysis of financial conditions and results of operations for the five months ended December 31, 2005;
- (f) Gammon Lake's audited comparative consolidated financial statements for the fiscal years ended July 31, 2005 and July 31, 2004, together with the notes thereto and the auditors' report thereon;
- (g) Gammon Lake's management's discussion and analysis of financial conditions and results of operations for the fiscal year ended July 31, 2005;
- (h) Gammon Lake's management information circular dated April 13, 2006 prepared in connection with the annual and special meeting of shareholders on May 10, 2006;
- (i) Gammon Lake's business acquisition report dated October 20, 2006 relating to its acquisition of the outstanding securities of Mexgold Resources Inc.;
- (j) Gammon Lake's material change report dated January 11, 2007 in respect of the commencement of commercial production at the Ocampo Project;
- (k) Gammon Lake's material change report dated January 16, 2007 in respect of the announcement of new exploration results from sill sampling at the underground mine on the Ocampo Project;
- (l) Gammon Lake's material change report dated January 22, 2007 in respect of the announcement of yearly drilling results at the Ocampo Project;
- (m) Gammon Lake's material change report dated January 29, 2007 in respect of the announcement of drill results from the 2006 exploration program at the El Cubo Project;
- (n) Gammon Lake's material change report dated April 3, 2007 in respect of the appointment of Russell Barwick as Chief Executive Officer and a director of Gammon Lake; and
- (o) Gammon Lake's material change report dated April 3, 2007 in respect of the announcement of its financial results for the fiscal year ended December 31, 2006.

Any material change reports (other than confidential reports), comparative interim financial statements, information circulars and all other documents of a type referred to above which are required to be filed by the Company with the Commissions or similar authorities in Canada after the date of this short form prospectus and prior to the termination of this Offering shall be deemed to be incorporated by reference into and form an integral part of this short form prospectus.

Any statement contained in a document incorporated or deemed to be incorporated by reference herein or in any subsequently filed document which also is or is deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purposes of this short form prospectus to the extent that a statement contained herein, or in any other subsequently filed document which also is incorporated or is deemed to be incorporated by reference herein, modifies or supersedes such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not be deemed in its unmodified or superseded form to constitute a part of this short form prospectus.

**SPECIAL NOTICE REGARDING FORWARD-LOOKING STATEMENTS
AND OTHER INFORMATION**

This short form prospectus and the documents incorporated by reference herein contain forward-looking statements within the meaning of the United States Private Securities Litigation Reform Act of 1995 concerning the Company's plans at the Ocampo and El Cubo Projects, estimated production, capital and operating and cash flow estimates and other matters. These statements relate to analyses and other information that are based on forecasts of future results, estimates of amounts not yet determinable and assumptions of management.

Certain statements included or incorporated by reference herein, including information as to the future financial or operating performance of the Company, its subsidiaries and its projects, constitute forward-looking statements. The words "believe", "expect", "anticipate", "contemplate", "target", "plan", "intends", "continue", "budget", "estimate", "may", "will", "schedule" and similar expressions identify forward-looking statements. Forward-looking statements include, among other things, statements regarding targets, estimates and assumptions in respect of gold production and prices, operating costs, results and capital expenditures, mineral reserves and mineral resources and anticipated grades, recovery rates, future financial or operating performance, margins, operating and exploration expenditures, costs and timing of the development of new deposits, costs and timing of construction, costs and timing of future exploration and reclamations expenses. Forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable by the Company, are inherently subject to significant business, economic, competitive, political and social uncertainties and contingencies. Many factors could cause the Company's actual results to differ materially from those expressed or implied in any forward-looking statements made by, or on behalf of, the Company. Such factors include, among others, known and unknown uncertainties and risks relating to additional funding requirements, reserve and resource estimates, commodity prices, hedging activities, exploration, development and operating risks, illegal miners, political and foreign risk, uninsurable risks, competition, limited mining operations, production risks, environmental regulation and liability, government regulation, currency fluctuations, recent losses and write-downs, restrictions in the Company's loan facility, dependence on key employees, possible variations of ore grade or recovery rates, failure of plant, equipment or process to operate as anticipated, accidents and labour disputes. Investors are cautioned that forward-looking statements are not guarantees of future performance and, accordingly, investors are cautioned not to put undue reliance on forward-looking statements due to the inherent uncertainty therein. Forward-looking statements are made as of the date hereof, or in the case of documents incorporated by reference herein, as of the date of such document, and the Company disclaims any intent or obligation to update publicly such forward-looking statements, whether as a result of new information, future events or results or otherwise.

Readers should rely on the information contained in, or incorporated by reference into, this short form prospectus. The Company has not authorized anyone to provide different information. The Offering is not being made in any jurisdiction where it is not permitted to be made. Unless otherwise expressly provided, prospective investors should not assume that the information contained herein is accurate as of any date other than the date on the front of this short form prospectus.

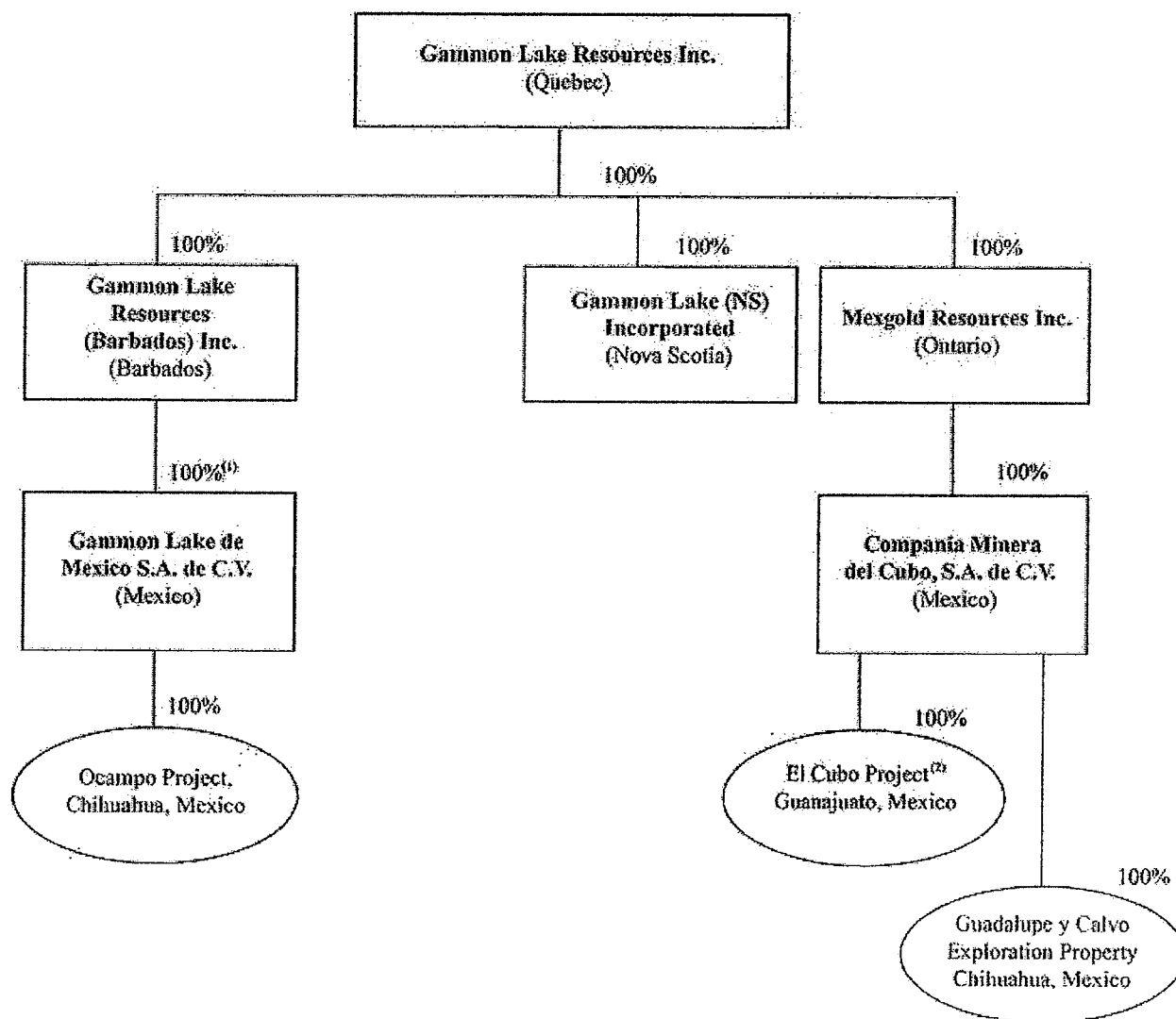
Gammon Lake expressly disclaims any intention or obligation to update or revise any forward-looking statements whether as a result of new information, events or otherwise, except where required by law.

THE COMPANY

The Company's full name is Gammon Lake Resources Inc. Gammon Lake's registered office is located at 1, Place Ville Marie, Suite 3900, Montreal, Quebec, H3B 4M7 and its head office is located at Suite 402, 1601 Lower Water Street, Summit Place, P.O. Box 2067, Halifax, Nova Scotia B3J 2Z1. The Company maintains administrative and field offices in Tucson, Arizona and Mexico.

Subsidiaries

The following corporate chart sets forth all of Gammon Lake's material subsidiaries, their jurisdictions of incorporation, the percentage of voting securities or ownership held by Gammon Lake and the principal mineral resource properties on which each of them has an interest:



(1) 2% of the issued and outstanding shares of Gammon Lake de Mexico S.A. de C.V. are held by Gammon Lake directly in accordance with Mexican corporate law requirements.

(2) The Las Torres mine, which forms part of the El Cubo Project, is held by the Company pursuant to a lease with the property owner. See "El Cubo Project — Las Torres Lease" in the Annual Information Form.

References hereto to "Gammon Lake" or the "Company" refer to Gammon Lake Resources Inc. and, where applicable, its subsidiaries.

BUSINESS OF THE COMPANY

The following description highlights selected information about the Company contained in the documents incorporated by reference herein. This description does not contain all of the information about the Company and its properties and business that a prospective investor should consider before investing in the Offered Shares. Readers should carefully read the entire short form prospectus, including the section titled "Risk Factors" that immediately follows this description of the Company, as well as the documents incorporated by reference into this short form prospectus, before making an investment decision. This short form prospectus contains forward-looking statements. Forward-looking statements are subject to a variety of known and unknown risks, uncertainties and other factors that could cause the Company's results to differ from those expressed or implied by the forward-looking statements. See "Special Notice Regarding Forward-Looking Statements and Other Information".

The Company is a mining company engaged in the mining and exploration for, and development of gold and silver deposits in Mexico. Through its subsidiaries, the Company owns and operates the Ocampo gold-silver mine (the "Ocampo Project") in Chihuahua State, Mexico, and the El Cubo gold-silver mine and the Las Torres gold-silver mine (together, the "El Cubo Project") in Guanajuato State, Mexico, both of which are currently in production. Through its subsidiaries, the Company also owns the Guadalupe y Calvo exploration project in Chihuahua State, Mexico.

On April 3, 2007 Mr. Russell Barwick was appointed Gammon Lake's Chief Executive Officer and a director. Mr. Brad Langille has resigned as Chief Executive Officer and Director but will remain a consultant to Gammon Lake.

The Ocampo Project

The Ocampo Project covers approximately 11,200 hectares located near the municipality of Ocampo in Chihuahua State, Mexico. The Ocampo Project consists of an operating underground and open pit mine. The underground mine uses standard underground mining techniques and has a mill which is designed to process 1,500 tonnes of ore per day. The open pit mine has a 11,400 tonne per day heap leach.

The Company began open pit mining in January 2006 and produced its first dore bar from the heap leach facility on February 1, 2006. During 2006 the Company mined 4,272,624 tonnes of ore and 12,954,869 tonnes of waste, for a 3.03:1 strip ratio. Also during 2006 the Company stacked a total of 2,585,603 tonnes of ore on the heap leach pad with an average grade of 0.94 grams per tonne of gold, and 38.88 grams per tonne of silver. The Company has recovered a total of 51% of the total gold and 26% of the silver placed on the pad to date.

The Company commenced construction of the underground mine at the Ocampo Project which took place over 2005 and 2006. In January 2007 the Company announced that the Ocampo Project had reached commercial production.

During the year ended December 31, 2006, the Ocampo Project (both the open pit and underground portions) produced 77,804 gold-equivalent ounces (51,748 ounces of gold and 1,302,807 ounces of silver).

The El Cubo Project

The El Cubo Project covers approximately 14,400 hectares located near the city of Guanajuato in Guanajuato State, Mexico. The El Cubo Project includes 58 mineral concessions (known as the El Cubo concessions) in which the Company holds a 100% interest and 50 surrounding mineral concessions (known as the Torres concessions) on which it holds a lease to mine until September 2009. Mexgold has been producing gold and silver from the El Cubo concessions since it acquired them in March 2004. Mexgold began producing gold and silver from the Torres concessions since late 2005. The El Cubo Project hosts a multi-level underground mine with access ramps for mobile equipment and two vertical shafts for the hoisting of ore. Ore from El Cubo is processed in three milling facilities. Between August 8, 2006 and December 31, 2006, the Company sold 15,729 ounces of gold and 585,518 ounces of silver which were produced from the El Cubo Project.

Gammon Lake has budgeted approximately U.S.\$8 million to be spent in 2007 on exploration programs on the Ocampo Project, El Cubo Project and Guadalupe y Calvo properties.

CONSOLIDATED CAPITALIZATION

The following table sets out the Company's consolidated share and loan capital as at December 31, 2006, including the expected effect of the Offering on its share capital. This table should be read in conjunction with the Company's audited consolidated financial statements for the fiscal year ended December 31, 2006 as incorporated by reference herein.

	As at December 31, 2006 (audited)	As at December 31, 2006 after giving effect ⁽¹⁾ to the Offering (unaudited)
Bank indebtedness	\$ Nil	\$ Nil
Long-term debt and capital leases due within one year	78,065,578	12,647,412
Long-term debt and capital leases	74,126,093	5,826,565
Total debt	152,191,671	18,473,977
Shareholders' Equity		
Share capital ⁽²⁾	551,067,338 (102,146,108 common shares)	742,067,338 (112,146,108 common shares)
Contributed surplus	83,394,693	83,394,693
Retained earnings (deficit)	(73,270,250)	(73,270,250)
Total Shareholders' Equity	561,191,781	752,191,781
Total Capitalization	\$ 713,383,452	\$ 770,665,758

(1) Assuming no exercise of the Over-Allotment Option for gross proceeds of \$200,000,000, less the Underwriters' fees of \$8,000,000 and the estimated expenses of the Offering of \$1,000,000.

(2) An unlimited number of common shares are authorized for issuance. As at December 31, 2006 there were 102,146,108 common shares issued and outstanding and approximately 14,040,342 common shares reserved for issuance on the exercise of outstanding stock options.

RISK FACTORS

Investment in Gammon Lake's common shares is subject to risk and uncertainties. Every investor or potential investor should carefully consider the risks related to Gammon Lake's operations, the risks related to the gold and silver mining industry generally and the risks related to the Offering, including the following risks:

Shareholders' interest may be diluted in the future. The Company may require additional funds to fund exploration and development programs and potential acquisitions. If it raises additional funding by issuing additional equity securities, such financing may substantially dilute the interests of existing shareholders.

Sales of substantial amounts of the Company's common shares, or the availability of such common shares for sale, could adversely affect the prevailing market prices for the Company's securities. A decline in the market prices of the Company's securities could impair our ability to raise additional capital.

The market price for the Offered Shares cannot be assured. Securities markets have experienced a high level of price and volume volatility, and the market prices of securities of many companies have experienced wide fluctuations which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that such fluctuation will not affect the price of the Company's securities after the Offering, and the market price of the Company's common shares may decline below the Offering price. As a result of this volatility, investors may not be able to sell their common shares at or above the Offering price.

In the past, following periods of volatility in the market price of a company's securities, shareholders have often instituted class action securities litigation against those companies. Such litigation, if instituted, could

result in substantial costs and diversion of management attention and resources, which could significantly harm our profitability and reputation.

The Company does not intend to pay dividends in the foreseeable future. The Company has never paid cash dividends on its common shares. It currently intends to retain future earnings, if any, to fund the development and growth of its business, and may not pay any cash dividends on the common shares for the foreseeable future. Furthermore, the Company may in the future become subject to contractual restrictions on, or prohibitions against, the payment of dividends. As a result, investors will have to rely on capital appreciation, if any, to earn a return on their investment in Offered Shares in the foreseeable future.

The Company may use the proceeds of this Offering for purposes other than those set out herein. The Company currently intends to allocate the net proceeds received from the Offering as described under "Use of Proceeds". However, the Company will have discretion in the actual application of the net proceeds, and may elect to allocate proceeds differently from that described in "Use of Proceeds" if it believes it would be in its best interests to do so as circumstances change. The failure by the Company to apply these funds effectively could have a material adverse effect on the Company's business.

The Company has a limited history of producing precious metals from its properties and there can be no assurance that it will successfully expand or establish mining operations or profitably produce precious metals. The Company has no history of profitability. Although commercial bodies of ore have been identified on the Ocampo Project and the El Cubo Project and production from such deposits has commenced, there is no assurance that they can be mined profitably. Accordingly, it is not assured that the Company will realize any profits in the short to medium term. Any profitability in the future from the business of the Company will be dependent upon developing and commercially mining economic deposits of minerals.

The Company has incurred losses and may continue to incur losses for the foreseeable future. The Company incurred the following losses during each of the following periods: \$28,692,380 for the year ended December 31, 2006, \$11,607,510 for the five month period ended December 31, 2005 and \$19,375,595 for the year ended July 31 2005.

The Company has an accumulated deficit of \$73,270,250 as of December 31, 2006, and had an accumulated deficit of \$44,577,870 as of December 31, 2005.

The figures for the Company's reserves and resources are estimates based on interpretation and assumptions and may yield less mineral production under actual conditions than is currently estimated. Unless otherwise indicated, mineral resource and reserve figures presented herein are based upon estimates made by company personnel and independent geologists. These estimates are imprecise and depend upon geological interpretation and statistical inferences drawn from drilling and sampling analysis, which may prove to be unreliable. There can be no assurance that: these estimates will be accurate, reserves, resources or other mineralization figures will be accurate, or this mineralization could be mined or processed profitably.

Mineralization estimates for the Company's properties may require adjustments or downward revisions based upon further exploration or development work or actual production experience. In addition, the grade of ore ultimately mined, if any, may differ from that indicated by drilling results. There can be no assurance that minerals recovered in small scale tests will be duplicated in large scale tests under on-site conditions or in production scale.

The reserve and resource estimates contained herein have been determined and valued based on assumed future prices, cut-off grades and operating costs that may prove to be inaccurate. Extended declines in market prices for gold and silver may render portions of the Company's mineralization uneconomic and result in reduced reported mineralization. Any material reductions in estimates of mineralization, or of the Company's ability to extract this mineralization, could have a material adverse effect on the Company's results of operations or financial condition.

The figures for the Company's future production are estimates based on interpretation and assumptions and actual production may be less than is currently estimated. The Company prepares estimates of future gold and silver production for its operating mines. The Company cannot give any assurance that it will achieve its production

estimates. The failure of the Company to achieve its production estimates could have a material and adverse affect on any or all of its future cash flows, profitability, results of operations and financial condition. These production estimates are dependent on, among other things, the accuracy of mineral reserve estimates, the accuracy of assumptions regarding ore grades and recovery rates, ground conditions, physical characteristics of ores, such as hardness and the presence or absence of particular metallurgical characteristics and the accuracy of estimated rates and costs of mining and processing.

The Company's actual production may vary from its estimates for a variety of reasons, including, actual ore mined varying from estimates of grade, tonnage, dilution and metallurgical and other characteristics, short-term operating factors such as the need for sequential development of ore bodies and the processing of new or different ore grades from those planned, mine failures, slope failures or equipment failures, industrial accidents, natural phenomena such as inclement weather conditions, floods, droughts, rock slides and earthquakes, encountering unusual or unexpected geological conditions, changes in power costs and potential power shortages, shortages of principal supplies needed for operation, including explosives, fuels, chemical reagents, water, equipment parts and lubricants, labour shortages or strikes, civil disobedience and protests, and restrictions or regulations imposed by government agencies or other changes in the regulatory environments. Such occurrences could result in damage to mineral properties, interruptions in production, injury or death to persons, damage to property of the Company or others, monetary losses and legal liabilities. These factors may cause a mineral deposit that has been mined profitably in the past to become unprofitable forcing the Company to cease production. It is not unusual in new mining operations to experience unexpected problems during the start-up phase. Depending on the price of gold or other minerals, the Company may determine that it is impractical to commence or, if commenced, to continue commercial production at a particular site.

Mining is inherently dangerous and subject to conditions or events beyond the Company's control, which could have a material adverse effect on the Company's business. Mining involves various types of risks and hazards, including: environmental hazards, industrial accidents, metallurgical and other processing problems, unusual or unexpected rock formations, structural cave-ins or slides, seismic activity, flooding, fires, periodic interruptions due to inclement or hazardous weather conditions, variations in grade, deposit size, density and other geological problems, mechanical equipment performance problems, unavailability of materials and equipment including fuel, labour force disruptions, unanticipated or significant changes in the costs of supplies including, but not limited to, petroleum, and unanticipated transportation costs.

These risks could result in damage to, or destruction of, mineral properties, production facilities or other properties, personal injury or death, loss of key employees, environmental damage, delays in mining, increased production costs, monetary losses and possible legal liability.

Where considered practical to do so, the Company maintains insurance against risks in the operation of its business in amounts which it believes to be reasonable. Such insurance, however, contains exclusions and limitations on coverage. There can be no assurance that such insurance will continue to be available, will be available at economically acceptable premiums or will be adequate to cover any resulting liability. Insurance against certain environmental risks, including potential liability for pollution or other hazards as a result of the disposal of waste products occurring from production, is not generally available to the Company or to other companies within the mining industry. The Company may suffer a material adverse effect on its business if it incurs losses related to any significant events that are not covered by its insurance policies. Payment of such liabilities would reduce funds available for acquisition of mineral prospects or exploration and development and would have a material adverse affect on the financial position of the Company.

Exploration and development projects are uncertain and consequently it is possible that actual cash operating costs and economic returns will differ significantly from those estimated for a project prior to production. Because mines have limited lives based on proven and probable mineral reserves, the Company will be required to continually replace and expand its mineral reserves as its mines produce gold and silver. The Company's life-of-mine estimates may not be correct. The Company's ability to maintain or increase its annual production of gold and silver in the future will be dependent in significant part on its ability to identify and acquire additional commercially viable mineral properties, bring new mines into production and to expand mineral reserves at existing mines.

Mineral resource exploration and development is a highly speculative business, characterized by a number of significant risks including, among other things, unprofitable efforts resulting not only from the failure to discover mineral deposits but also from finding mineral deposits that, though present, are insufficient in quantity and quality to return a profit from production. There can be no assurance that the Company will successfully acquire additional mineral rights. While discovery of additional ore-bearing structures may result in substantial rewards, few properties which are explored are ultimately developed into producing mines. Major expenses may be required to establish reserves by drilling and to construct mining and processing facilities at a particular site. It is impossible to ensure that the current exploration and development programs of the Company will result in profitable commercial mining operations. The profitability of the Company's operations will be, in part, directly related to the cost and success of its exploration and development programs which may be affected by a number of factors.

Development projects are subject to the completion of successful feasibility studies and environmental assessments, issuance of necessary governmental permits and receipt of adequate financing. They typically require a number of years and significant expenditures during the development phase before production is possible. The economic feasibility of development projects is based on many factors such as: estimation of reserves, anticipated metallurgical recoveries, environmental considerations and permitting, future gold prices, and anticipated capital and operating costs.

Estimates of mineral resources and reserves and cash operating costs are, to a large extent, based upon the interpretation of geologic data obtained from drill holes and other sampling techniques, and feasibility studies which derive estimates of cash operating costs based upon anticipated tonnage and grades of ore to be mined and processed, the configuration of the ore body, expected recovery rates of metals from the ore, estimated operating costs, anticipated climatic conditions and other factors. As a result, it is possible that actual cash operating costs and economic returns will differ significantly from those currently estimated for a project prior to production.

Any of the following events, among others, could affect the profitability or economic feasibility of a project: unanticipated changes in grade and tonnage of ore to be mined and processed, unanticipated adverse geotechnical conditions, incorrect data on which engineering assumptions are made, costs of constructing and operating a mine in a specific environment, availability and costs of processing and refining facilities, availability of economic sources of power, adequacy of water supply, adequate access to the site, including competing land uses (such as agriculture), unanticipated transportation costs, government regulations (including regulations regarding prices, royalties, duties, taxes, permitting, restrictions on production, quotas on exportation of minerals, as well as the costs of protection of the environment and agricultural lands), title claims, including aboriginal land claims, fluctuations in prices of precious metals, and accidents, labour actions and force majeure events.

Anticipated capital and operating costs, production and economic returns, and other estimates contained in feasibility studies, if prepared, may differ significantly from the Company's actual capital and operating costs. In addition, delays to construction schedules may negatively impact the net present value and internal rates of return of the Company's mineral properties as set forth in the applicable feasibility studies.

The future development of the Company's properties that are found to be economically feasible, including the expansion of the Ocampo Project and the El Cubo Project if new reserves are discovered, will require the expansion and improvement of existing mining operations, as well as the construction and operation of additional mines, processing plants and related infrastructure. As a result, the Company is subject to all of the risks associated with establishing and expanding mining operations and business enterprises including: the timing and cost, which will be considerable, of the construction of additional mining and processing facilities, the availability and costs of skilled labour, power, water, transportation and mining equipment, the availability and cost of appropriate smelting and/or refining arrangements, the need to obtain necessary environmental and other governmental approvals and permits, and the timing of those approvals and permits, and the availability of funds to finance construction and development activities.

The costs, timing and complexities of mine construction and development are increased by the remote location of the Company's mining properties. It is not unusual in new mining operations to experience unexpected problems and delays during the construction and development of a mine. In addition, delays in the

commencement or expansion of mineral production often occur and, once commenced or expanded, the production of a mine may not meet expectations or estimates set forth in feasibility or other studies. Accordingly, there are no assurances that the Company will successfully develop and expand mining operations or profitably produce precious metals at its properties, including the Ocampo Project and the El Cubo Project.

The Company may experience problems integrating new acquisitions into existing operations, which could have a material adverse effect on the Company. The Company recently acquired Mexgold and may make selected acquisitions in the future. The Company's success at completing any acquisitions will depend on a number of factors, including, but not limited to: identifying acquisitions which fit the Company's strategy, negotiating acceptable terms with the seller of the business or property to be acquired, and obtaining approval from regulatory authorities in the jurisdictions of the business or property to be acquired.

If the Company does make further acquisitions, any positive effect on the Company's results will depend on a variety of factors, including, but not limited to: assimilating the operations of an acquired business or property in a timely and efficient manner, maintaining the Company's financial and strategic focus while integrating the acquired business or property, implementing uniform standards, controls, procedures and policies at the acquired business, as appropriate, and to the extent that the Company makes an acquisition outside of markets in which it has previously operated, conducting and managing operations in a new operating environment.

Acquiring additional businesses or properties could place increased pressure on the Company's cash flow if such acquisitions involve cash considerations or the assumption of obligations requiring cash payments. The integration of the Company's existing operations with any acquired business will require significant expenditures of time, attention and funds. Achievement of the benefits expected from consolidation would require the Company to incur significant costs in connection with, among other things, implementing financial and planning systems. The Company may not be able to integrate the operations of a recently acquired business or restructure the Company's previously existing business operations without encountering difficulties and delays. In addition, this integration may require significant attention from the Company's management team, which may detract attention from the Company's day-to-day operations. Over the short-term, difficulties associated with integration could have a material adverse effect on the Company's business, operating results, financial condition and the price of the Company's common shares. In addition, the acquisition of mineral properties may subject the Company to unforeseen liabilities, including environmental liabilities.

Changes in the market price of gold and other metals, which in the past has fluctuated widely, will affect the profitability of the Company's operations and financial condition. The Company's profitability and long-term viability depend, in large part, upon the market price of gold and other metals and minerals produced from the Company's properties. The market price of gold and other metals is volatile and is impacted by numerous factors beyond the Company's control, including: expectations with respect to the rate of inflation, the relative strength of the U.S. dollar and certain other currencies, interest rates, global or regional political or economic conditions, supply and demand for jewellery and industrial products containing metals, costs of substitutes, changes in global or regional investment or consumption patterns, and sales by central banks and other holders, speculators and producers of gold and other metals in response to any of the above factors.

There can be no assurance that the market price of gold and other metals will remain at current levels or that such prices will improve. A decrease in the market price of gold and silver could adversely affect the profitability of the Company's existing mines and the Company's ability to finance the exploration and development of additional properties, which would have a material adverse effect on the Company's financial condition and results of operations. A decline in the market price of gold or silver, or both, may also require the Company to write-down its mineral reserves which would have a material and adverse affect on its earnings and profitability. Further, if revenue from gold or silver sales, or both, declines, the Company may experience liquidity difficulties.

The Company's Mexican property interests and operations are subject to the political risks and uncertainties associated with investment in a foreign country. All of the Company's property interests are located in Mexico, and are subject to Mexican federal and state laws and regulations. As a result the Company's mining investments are subject to the risks normally associated with the conduct of business in foreign countries. The Company believes the present attitude of the governments of Mexico and of the States of Chihuahua and Guanajuato (where the

Company's projects are located) to foreign investment and mining to be favourable; however, investors should assess the political risks of investing in a foreign country. Any variation from the current regulatory, economic and political climate could have an adverse effect on the affairs of the Company.

The risks of conducting business in a foreign country may include, among others, labour disputes, invalidation of governmental orders and permits, corruption, uncertain political and economic environments, sovereign risk, war (including in neighbouring states), civil disturbances and terrorist actions, arbitrary changes in laws or policies of particular countries, the failure of foreign parties to honour contractual relations, corruption, foreign taxation, delays in obtaining or the inability to obtain necessary governmental permits, opposition to mining from environmental or other non-governmental organizations, limitations on foreign ownership, limitations on the repatriation of earnings, limitations on gold exports, instability due to economic under-development, inadequate infrastructure and increased financing costs. In addition, the enforcement by the Company of its legal rights to exploit its properties may not be recognized by the government of Mexico or by its court system. These risks may limit or disrupt the Company's operations, restrict the movement of funds or result in the deprivation of contractual rights or the taking of property by nationalization or expropriation without fair compensation.

The Company requires various property rights, permits and licenses in order to conduct its current and anticipated future operations and delays or a failure to obtain such property rights, permits and licenses, or a failure to comply with the terms of any such property rights, permits and licenses that the Company has obtained, could have a material adverse effect on the Company. The Company's current and anticipated future operations, including further exploration, development activities and expansion or commencement of production on the Company's properties, require certain permits and licenses from various levels of governmental authorities. The Company may also be required to obtain certain property rights to access, or use, certain of its properties in order to proceed to development. There can be no assurance that all licenses, permits or property rights which the Company requires for the expansion and construction of mining facilities and the conduct of mining operations will be obtainable on reasonable terms or in a timely manner, or at all, that such terms may not be adversely changed, that required extension will be granted, or that the issuance of such licenses, permits or property rights will not be challenged by third parties. Delays in obtaining or a failure to obtain such licenses, permits or property rights or extension thereto, challenges to the issuance of such licenses, permits or property rights, whether successful or unsuccessful, changes to the terms of such licenses, permits or property rights, or a failure to comply with the terms of any such licenses, permits or property rights that the Company has obtained, could have a material adverse impact on the Company.

In order for the Company to carry out its mining activities, the Company's exploitation licences must be kept current. There is no guarantee that the Company's exploitation licences will be extended or that new exploitation licences will be granted. In addition, such exploitation licences could be changed and there can be no assurances that any application to renew any existing licences will be approved. The Company may be required to contribute to the cost of providing the required infrastructure to facilitate the development of its properties. The Company will also have to obtain and comply with permits and licences which may contain specific conditions concerning operating procedures, water use, waste disposal, spills, environmental studies, abandonment and restoration plans and financial assurances. There can be no assurance that the Company will be able to comply with any such conditions.

Title to the Company's mineral properties cannot be guaranteed and may be subject to prior unregistered agreements, transfers or claims and other defects. The Company cannot guarantee that title to its properties will not be challenged. Title insurance is generally not available for mineral properties and the Company's ability to ensure that it has obtained secure claim to individual mineral properties or mining concessions may be severely constrained. The Company's mineral properties may be subject to prior unregistered agreements, transfers or claims, and title may be affected by, among other things, undetected defects. A successful challenge to the precise area and location of these claims could result in the Company being unable to operate on its properties as permitted or being unable to enforce its rights with respect to its properties.

Regulatory requirements significantly affect the Company's mining operations and may have a material adverse impact on our future cash flow, results of operations and financial condition. Mining operations, development and exploration activities are subject to extensive laws and regulations governing prospecting, development, production, exports, taxes, labour standards, occupational health, waste disposal, environmental protection and

remediation, protection of endangered and protected species, mine safety, toxic substances and other matters. Mining is subject to potential risks and liabilities associated with pollution of the environment and the disposal of waste products occurring as a result of mineral exploration and production. The costs of discovering, evaluating, planning, designing, developing, constructing, operating and closing mines and other facilities in compliance with such laws and regulations are significant.

Failure to comply with applicable laws and regulations may result in enforcement actions thereunder, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

New laws and regulations, amendments to existing laws and regulations, administrative interpretation of existing laws and regulations, or more stringent enforcement of existing laws and regulations, could have a material adverse impact on our future cash flow, results of operations and financial condition.

The Company's activities are subject to environmental laws and regulations that may increase the Company's costs of doing business and restrict its operations. The Company's exploration and production activities in Mexico are subject to regulation by governmental agencies under various environmental laws. These laws address emissions into the air, discharges into water, management of waste, management of hazardous substances, protection of natural resources, antiquities and endangered species and reclamation of lands disturbed by mining operations. Environmental legislation in many countries is evolving and the trend has been towards stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and increasing responsibility for companies and their officers, directors and employees. Compliance with environmental laws and regulations may require significant capital outlays on behalf of the Company and may cause material changes or delays in the Company's intended activities. There can be no assurance that future changes in environmental regulations will not adversely affect the Company's business, and it is possible that future changes in these laws or regulations could have a significant adverse impact on some portion of the Company's business, causing the Company to re-evaluate those activities at that time.

The Company cannot give any assurance that, notwithstanding its precautions, breaches of environmental laws (whether inadvertent or not) or environmental pollution will not materially and adversely affect its financial condition and its results from operations. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations. Environmental hazards may exist on the properties on which the Company holds interests which are unknown to the Company at present and which have been caused by previous or existing owners or operators of the properties. Reclamation costs are uncertain and planned expenditures may differ from the actual expenditures required.

The Company will require significant external financing to continue its exploration and development activities on its mineral properties. The ability of the Company to continue exploration and development of its property interests will be dependent upon its ability to increase revenues from its existing production and planned expansions, and to raise significant additional financing hereafter. The sources of external financing that the Company may use for these purposes include project debt, and/or debt or equity offerings. In addition, the Company may enter into a strategic alliance. There is no assurance that the financing alternative chosen by the Company will be available to the Company, on favourable terms or at all. Depending on the alternative chosen, the Company may have less control over the management of its projects. There is no assurance that the Company will successfully increase revenues from existing and expanded production. Should the Company not be able to obtain such financing and increase its revenues, it may become unable to acquire and retain its mineral concessions and carry out its development plan, and its property interests may be lost entirely.

A summary of the Company's financial commitments under the agreements under which the Company acquired its interests in the Ocampo Project is provided in the following table.

Agreement	Consideration	Terms
Minera Fuerte Agreement	8% Net Profit Interest up to a maximum of U.S. \$2,000,000	U.S. \$2,000,000 less any net profit royalty payments made is due and payable upon sale of the property
	U.S. \$250,000	Upon establishment of a mining reserve of 2.0 million ounces of gold and gold-equivalent ounces
Soyopa Agreement	U.S. \$3,500,000	On or before November 23, 2007.
	U.S. \$1,000,000	Upon sale of Ocampo Project to a third party.

Certain of the Company's directors and officers serve in similar positions with other public companies which put them in conflict of interest positions from time to time. Certain of the directors and officers serve as directors, officers, promoters and members of management of other public companies and therefore it is possible that a conflict may arise between their duties as a directors or officers of the Company and their duties as a directors, officers, promoters or members of management of such other companies.

The directors and officers of the Company are aware of the existence of laws governing accountability of directors and officers for corporate opportunity and requiring disclosures by directors of conflicts of interest and the Company will rely upon such laws in respect of any directors' and officers' conflicts of interest or in respect of any breaches of duty by any of its directors or officers. All such conflicts will be disclosed by such directors or officers in accordance with applicable law and they will govern themselves in respect thereof to the best of their ability in accordance with the obligations imposed upon them by law.

The Company may experience difficulty attracting and retaining qualified management and technical personnel to meet the needs of its anticipated growth, and the failure to manage the Company's growth effectively could have a material adverse effect on its business and financial condition. The success of the Company is heavily dependent on its key personnel and on its ability to motivate, retain and attract highly skilled persons. The competition for qualified personnel in the mining industry is currently intense. In order to attract and retain its key personnel, the Company has sought to provide its personnel with challenging work and a variety of opportunities for advancement through growth and expansion of the Company's business, and through equity participation.

The Company considers Fred George to be a key employee and maintains life insurance in the amount of \$1,000,000 on his life. The loss of this key person or the Company's inability to attract and retain additional highly skilled employees required for the development of the Company's activities may have a material adverse effect on the Company's business or future operations.

In addition, the Company anticipates that, as it expands its existing production and brings additional properties into production, and as the Company acquires additional mineral rights, the Company will experience significant growth in its operations. The Company expects this growth to create new positions and responsibilities for management personnel and to increase demands on its operating and financial systems, as well as to require the hiring of a significant number of additional operations personnel. There can be no assurance that the Company will successfully meet these demands and effectively attract and retain additional qualified personnel to manage its anticipated growth and hire enough additional operations personnel. The failure to attract such qualified personnel to manage growth effectively could have a material adverse effect on the Company's business, financial condition or results of operations.

Increased competition could adversely affect the Company's ability to acquire suitable producing properties or prospects for mineral exploration in the future. Recent high metal prices have increased demand for, and cost of, exploration, development and construction services and equipment. The international mining industry is highly competitive. The Company's ability to acquire properties and add reserves in the future will depend not only on its ability to develop its present properties, but also on its ability to select and acquire suitable producing

